

**PUBLIC DISCLOSURE**

**January 20, 2015**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NORTH MIDDLESEX SAVINGS BANK**

**90147**

**7 MAIN STREET  
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**Division of Banks**

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<p><b>NOTE:</b> This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.</p>
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## GENERAL INFORMATION

The Community Reinvestment Act (“CRA”) requires the Federal Deposit Insurance Corporation (“FDIC”) and the Massachusetts Division of Banks (“Division”) to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **North Middlesex Savings Bank (or the “Bank”)**, prepared by the Division and the FDIC, the institution's supervisory agency as of **January 20, 2015**. The agency evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in the Division's regulation 209 CMR 46.00. The FDIC rates the CRA performance institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.

### **INSTITUTION'S CRA RATING: This institution is rated “Satisfactory.”**

An institution in this group has an adequate record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these tests is summarized below:

#### **Lending Test**

The institution is rated “**Satisfactory**” under the Lending Test. This rating is supported by the following results.

#### ***Loan-to-Deposit Ratio***

The loan-to-deposit (“LTD”) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The Bank's average net LTD ratio over the past 13 quarters since the prior CRA evaluation, dated September 6, 2011, is 89.2 percent.

#### ***Assessment Area Concentration***

A majority of the Bank's home mortgage and small business loans are inside the institution's assessment area. During 2013 and partial year 2014, the Bank originated 57.2 percent of all home mortgage loans inside the assessment area. During 2013 and partial year 2014, the Bank originated 59.1 percent of all small business loans within the assessment area.

#### ***Geographic Distribution***

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The Bank's percentage of home mortgage loans in the area's moderate-income tracts was slightly less than the aggregate percentage in 2013. The Bank's percentage of small business loans in the moderate-income tracts also exceeded the percentage businesses located in those geographies.

### ***Borrower Characteristics***

The distribution of loans to borrowers of different income and businesses of different sizes reflects, given the demographics of the assessment area, excellent penetration. The Bank exceeded the aggregate percentages to low- and moderate-income borrowers in 2013, and achieved very good market ranks despite the competitive lending environment. The Bank's lending also significantly exceeded the percentage of small businesses in its assessment area in 2013.

### ***Response to Complaints***

The Bank did not receive any CRA-related complaints during the evaluation period; however, the Bank does have a Board approved Complaint Policy in the event the Bank receives a complaint.

### **Community Development Test**

The institution is rated "**Satisfactory**" under the Community Development Test. The institution demonstrated adequate responsiveness to community development needs in its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities throughout the institution's assessment area. The rating is supported by the following factors:

#### ***Community Development Loans***

The Bank made 10 qualified community development loans totaling approximately \$2.6 million during the evaluation period. These loans had the primary purpose of providing affordable housing and community services for low- and moderate-income individuals, and activities that promote economic development.

#### ***Community Development Investments***

The Bank's total qualified investments are approximately \$547,700 and consisted of \$500,000 in traditional equity investments as well as grants and donations. Donations primarily assisted organizations that provide community services targeted to low- and moderate-income individuals.

#### ***Community Development Services***

Bank officers extended their financial expertise to community development organizations within its designated assessment area. Officers and Directors provided services to organizations that offer affordable housing and community services targeted to low- and moderate-income individuals and families.

## **SCOPE OF THE EXAMINATION**

This evaluation assessed North Middlesex Savings Bank's CRA performance utilizing Intermediate Small Bank ("ISB") examination procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). These procedures require two performance tests: a Lending Test and a Community Development Test. The Lending Test analyzes an institution's applicable home mortgage and small business loans during the review period. The Community Development Test is an analysis of qualified activities (community development loans, investments, and services) the institution performed to meet the needs of the community since the previous evaluation, dated September 6, 2011.

The Bank's most recent Report of Condition and Income ("Call Report"), dated September 30, 2014, indicated residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 53.2 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 40.2 percent of the loan portfolio. Consumer lending and small farm lending made up 4.0 percent and 0.6 percent of the loan portfolio, respectively. As a result, these product lines were not reviewed at this evaluation.

Data reviewed includes home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") loan application registers ("LARs") from 2013 and from January 1, 2014 through September 30, 2014 (YTD) 2014. Data reviewed also included small business loans from 2013 and YTD 2014. The HMDA LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 251 loans totaling approximately \$44.7 million in 2013 and 144 loans totaling approximately \$27.1 million as of YTD 2014. The Bank's home mortgage lending performance was compared against 2013 aggregate lending data. Aggregate data includes the lending activity of all institutions subject to HMDA reporting within the Bank's assessment area. The Bank collects small business lending data containing information on originated loans under \$1 million, made to businesses. The Bank originated 156 small business loans totaling \$21.3 million in 2013 and 98 loans totaling approximately \$14.8 million as of YTD 2014. The evaluation focused on lending performance in 2013, as aggregate data for 2014 was not yet available.

While the Lending Test discusses the total dollar amounts of loans, conclusions were primarily based on the number of loans originated or purchased, as extremely large or small dollar amounts could skew conclusions.

The Community Development Test considered the number and dollar amount of community development loans, qualified investments, and community development services between the previous examination, dated September 6, 2011, and the current examination, dated January 20, 2015. Any qualified equity investments remaining on the Bank's books from prior evaluations also received consideration.

The evaluation references demographic information from the 2010 United States ("U.S.") Census. Financial data was also obtained from the Bank's September 30, 2014 Call Report. In addition to the review of the Bank's overall assessment area, separate discussions of the CRA performance in each Metropolitan Statistical Area (MSA) in which the Bank maintains a branch are provided. The Bank maintains six branches in the Boston-Cambridge-Quincy, MA-NH MSA (Ayer, Groton, Harvard/Devens, Littleton, Pepperell, and Shirley) and one branch in the Worcester, MA MSA (Lunenburg). For the purposes of this evaluation, examiners will evaluate each MSA separately; however, the Bank will only receive one CRA rating for the overall assessment area.

## PERFORMANCE CONTEXT

### Description of Institution

North Middlesex Savings Bank is a Massachusetts state-chartered bank headquartered at 7 Main Street in Ayer, Massachusetts. North Middlesex Savings Bank operates seven full-service branches throughout Worcester and Middlesex counties. The Bank's headquarters is attached to the Ayer branch, and the Bank's Operations Center is attached to the Groton branch.

The Bank offers a full range of products and services that meet the financial and credit needs of consumers and businesses. Consumer loan products include adjustable-rate and fixed-rate mortgages, home equity lines and loans, automobile loans, and personal loans. Business loan products include, but are not limited to, working capital lines of credit and term loans, commercial real estate mortgages, and Small Business Administration (SBA) loans.

The CRA requires the identification of similarly situated financial institutions with which a bank's lending performance will be compared. Within the Bank's delineated assessment area, and the Bank's lending area, there are several large national and regional banks, including JP Morgan Chase Bank N.A.; Wells Fargo Bank, N.A.; CitiBank, N.A.; and mortgage companies such as, CitiMortgage, Inc. Several local banks also serve the market including Berkshire Bank, Fidelity Co-operative Bank, Sage Bank, Hometown Bank, Northmark Bank, and Bay State Savings Bank. Similarly situated is based on asset size, loan portfolio composition and proximity. The three institutions most similar are Hometown Bank, Northmark Bank, and Bay State Savings Bank. In limited circumstances, North Middlesex Savings Bank's lending performance is compared to these institutions.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

<b>Table 1 – Loan Portfolio Distribution as of September 30, 2014</b>		
<b>Loan Type</b>	<b>Dollar Amount \$('000s)</b>	<b>Percent of Total Loans* (%)</b>
Construction, Land Development, and Other Land Loans	5,556	2.0
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	13,849	5.1
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	112,670	41.3
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Jr Liens	1,663	0.6
Secured by Multi-Family (5 or more) Residential Properties	16,784	6.2
<b>Total Real Estate Loans</b>	<b>150,522</b>	<b>55.2</b>
Secured by Nonfarm Nonresidential Properties	88,592	32.5
<b>Total Real Estate Loans</b>	<b>239,114</b>	<b>87.7</b>
Loans to Finance Agricultural Production and Other Loans to Farmers	1,528	0.6
Commercial and Industrial	21,117	7.7
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	10,983	4.0
<b>Total Loans</b>	<b>272,742</b>	<b>100.0</b>

Source: September 30, 2014 Call Report

As of September 30, 2014, the Bank's total assets were approximately \$372 million. Total loans were \$272.7 million, representing 73.1 percent of total assets. Assets increased approximately \$40 million, or 11.4 percent, while loans increased by 16.5 percent since June 30, 2011. The Bank's loans are heavily concentrated in residential and commercial real estate (non-farm, non-residential properties).

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. The Bank's CRA performance was deemed "Satisfactory" by the FDIC and "High Satisfactory" by the Division at the previous evaluation on September 6, 2011, which was conducted jointly by the FDIC and Division.

### **Description of Assessment Area**

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The evaluation of the Bank's performance is based upon activity within the defined assessment area. The Bank includes contiguous portions of Middlesex and Worcester counties in Massachusetts as its assessment area. Middlesex County is in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) 15764, which is located in the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA) 14460 and Worcester County is in the Worcester, MA, MSA 49340. Within Middlesex County, the Bank included the following municipalities in the assessment area: Ayer, Boxborough, Dunstable, Groton, Littleton, Pepperell, Shirley, Townsend, and Westford. Within Worcester County, the Bank included Harvard and Lunenburg.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state borders; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate- income areas.

In 2013 the Bank expanded the assessment area in an effort to better reflect the lending area. The Bank added three towns to the assessment area, for an addition of six census tracts. The towns added were Boxborough, Westford, and Dunstable. The Bank's assessment area was analyzed with 2013 demographic data, with any demographic changes in 2014.

<b>Table 2 – 2013 Assessment Area Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
		<b>% of #</b>	<b>% of #</b>	<b>% of #</b>	<b>% of #</b>
Geographies (Census Tracts)	20		10.0	35.0	55.0
Population by Geography	101,363		11.1	37.1	47.0
Owner-Occupied Housing by Geography	29,463		9.8	37.4	52.8
Businesses by Geography	8,890		7.9	34.8	57.3
Farms By Geography	320		9.1	32.8	58.1
Distribution of Families by Income Level	26,545	13.4	15.6	22.3	48.7
Distribution of Low and Moderate Income Families throughout AA Geographies	7,694	0.0	18.4	43.2	38.4
<b>Median Family Income (MFI)</b>		\$111,917	<b>Median Housing Value</b>		\$399,404
<b>Families Below Poverty Level</b>		3.1%	<b>Unemployment Rate</b>		5.9%

*Source: 2010 U.S. Census demographics, 2013 FFIEC updated MFI, 2013 Dun and Bradstreet business demographics, and 2013 Bureau of Labor Statistics for New Haven-Milford MSA*

### ***Geographies***

The assessment area is comprised of 20 census tracts. In 2013 there were two (10.0 percent) moderate-income; seven (35.0 percent) middle-income; and 11 (55.0 percent) upper-income tracts. In 2014 the assessment area contained 7 (35.0 percent) middle-income and 13 (65.0 percent) upper-income census tracts.

### ***Population***

Based on 2010 U.S. Census data, the total population of the assessment area is 101,363. Based on 2013 demographic reports, 11.1 percent reside in moderate-income tracts, 37.1 percent reside in middle-income census tracts, and 47.0 percent reside in upper-income tracts. Approximately 3.1 percent of the families in the assessment area are living below the poverty line. This poverty rate typically indicates a reduced ability to secure a mortgage loan; thereby reducing a financial institution's ability to penetrate these markets through residential loan products. In 2014, 37.1 percent reside in middle-income census tracts and 62.9 percent reside in upper-income tracts.

### ***Family Distribution***

Providing further insight into the demographic composition of the assessment area is the number of families at each income level. According to the 2010 U.S. Census data, of the 26,545 families in the assessment area, 13.4 percent were low-income, 15.6 percent were moderate-income, 22.3 percent were middle-income, and 48.7 percent upper-income.

In 2014, the number of low-income families decreased to 12.1 percent, moderate-income families decreased to 14.0 percent, middle-income families decreased to 21.2 percent, and upper-income families increased to 52.7 percent. The percent of assessment area families below the poverty line did not change.

Median family income (MFI) is used to determine the distribution of home mortgage loans by borrower income level. The FFIEC calculates the annual MFI, which incorporates the U.S. Census Bureau's American Community Survey information. The 2014 FFIEC-calculated MFI for the Cambridge-Newton-Framingham, MA MD was \$93,300. The 2014 FFIEC-calculated MFI for the Worcester, MA MSA was \$77,900.



### ***Housing***

Housing units within the assessment area total 36,932, of which 29,463 (79.8 percent) are owner-occupied, 5,367 (14.5 percent) are rental-occupied, and 2,102 (5.7 percent) are vacant. Of the owner-occupied units within the assessment area, using 2013 data, 9.8 percent were in moderate-income census tracts, 37.4 percent were in middle-income tracts and 52.8 percent in upper-income tracts. With the 2014 revisions, 35.2 percent were in middle-income tracts and 64.8 percent were in upper-income tracts.

Table 2 also displays the median housing value in the assessment area according to 2010 U.S. Census data. More recent data obtained from *Zillow Real Estate* showed 2014 median housing values in the assessment area ranged from a low of \$202,700 to a high of \$527,800. Overall housing values increased from 2012 to 2014, and are expected to continue to increase.

### ***Unemployment***

Unemployment rates within the assessment area declined since the prior examination. For the time period of June 2013 to July 2014, the Bureau of Labor Statistics reported the following county unemployment rates (not seasonally adjusted): Middlesex (5.7 percent) and Worcester (7.7 percent). As of November 2014, the Massachusetts and U.S. unemployment rates were 5.8 and 5.5 percent, respectively.

### ***Business Data***

Table 3 illustrates the number of non-farm businesses by annual revenue category.

<b>Table 3 – Distribution of Small Business Loans by Revenues</b>						
<b>GAR \$('000s)</b>	<b>% of Total Businesses (2013)</b>	<b>Bank 2013</b>		<b>% of Total Businesses (2014)</b>	<b>Bank YTD 2014</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
≤ \$1,000	74.6	84	92.3	73.4	47	79.7
> \$1,000	4.7	7	7.7	5.3	12	20.3
Not Reported	20.7	0	0.0	21.3	0	0.0
<b>Total</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>

*Source: Bank Records – Small Business Data (2013); D&B 2013 & 2014 Business Data. \* Business revenue > \$1mm or N/A*

Between 2013 and 2014, the total number of non-farm businesses declined by 11.6 percent. The percentage of non-farm businesses reporting GARs of \$1 million or less decreased by 13.0 percent.

### ***Competition***

In addition to the demographic composition and economic environment of the assessment area, competition from other financial institutions also impacts the Bank's lending performance. During 2013, 286 HMDA-reporting institutions made or purchased 6,445 HMDA loans totaling \$1.7 billion in the assessment area. Based on its 2013 activity, North Middlesex Savings Bank ranked 12<sup>th</sup> and 17<sup>th</sup>, respectively, by number of loans and dollar amount. The top five lenders included JPMorgan Chase Bank, N.A.; Wells Fargo Bank, N.A.; CitiMortgage Bank, Inc.; Digital Federal Credit Union; and Workers' Credit Union. Collectively, these top lenders accounted for 26.6 percent by count and 24.8 percent by dollar volume of the area's total market share.

The Bank does not report small business loans; therefore, analysis by market rank was not possible.

***Community Contact***

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

This particular third party is active in the assessment area, with a primary focus on creating and preserving quality housing for low- and moderate-income residents. The contact stated that the need in the area is not for affordable housing, but for quality housing. Many of the homes in the area are old and rundown, and are in need of rehabilitation. The contact expressed that the greatest need of the area is funding for small businesses and business start-ups to aid the overall economy of the area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### LENDING TEST

The Lending Test considers the institution's performance pursuant to the following criteria: LTD Ratio, Assessment Area Concentration, Borrower Characteristics, Geographic Distribution, and Response to CRA Complaints. Overall, the Bank's performance under the Lending Test is "Satisfactory." This rating indicates that the Bank's lending performance demonstrates a reasonable responsiveness to the credit needs of the assessment area.

#### Loan-to-Deposit Ratio

The LTD ratio evaluates the proportion of the Bank's deposit base reinvested in the form of loans. The analysis utilized quarterly Call Report data for the period ending September 30, 2011 through September 30, 2014.

The Bank's average net LTD ratio is reasonable at 89.2 percent, given the Bank's size, financial condition, and the assessment area credit needs. Over the past 13 quarters, the LTD was at a low of 86.5 percent at September 30, 2011, and at a high of 91.8 percent at March 31, 2014. Table 4 showed the average net LTD ratio for North Middlesex Savings Bank and the similarly situated institutions.

Table 4 – Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets as of 09/30/14 \$(‘000)	Average Net LTD Ratio
		9/30/2011-9/30/2014
North Middlesex Savings Bank	\$372,000	89.2%
Hometown Bank	\$393,000	98.2%
Northmark Bank	\$331,000	94.6%
Bay State Savings Bank	\$324,000	95.8%

*Source: Call Reports*

#### Assessment Area Concentration

A majority of loans and other lending-related activities are in the Bank's assessment area.

#### Home Mortgage Loans

The Bank originated a majority of its home mortgage loans, by number, inside the delineated assessment area during the evaluation period, while the dollar amount was less than a majority, at 46.3 percent. More weight was placed on the number of loans originated. In 2013, the Bank ranked 12<sup>th</sup> out of 286 lenders in the assessment area with a 2.3 percent market share. It is important to note the institutions ranked ahead of the Bank are mainly national banks and mortgage companies.

The 2014 lending activity inside the assessment area is expected to be less than 2013, as a result of declining refinance activity. Lending activity is also affected by the Bank's lending relationship with Priority Funding. Priority Funding takes applications for mobile and manufactured homes, sets the loan terms, and then offers the loan to its partner banks. The partner banks make the credit decision, fund the loans, and report the loans for HMDA purposes. Many of the loans

from the Priority Funding relationship are in New Hampshire or areas surrounding the Bank's assessment area.

### ***Small Business Loans***

The Bank originated a majority of its small business loans inside its delineated assessment area during the current evaluation period.

Table 5 summarizes the Bank's home mortgage and small business lending activity during the evaluation period.

Table 5 – Distribution of Loans Inside and Outside of Assessment Area										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$0	%	\$0	%	\$(000)
Home Loans										
2013										
Home Purchase	23	41.8	32	58.2	55	6,265	46.8	7,118	53.2	13,383
Refinance	64	58.7	45	41.3	109	13,194	52.5	11,960	47.5	25,154
Home Improvement	61	70.1	26	29.9	87	4,220	69.0	1,897	31.0	6,117
Total	148	59.0	103	41.0	251	23,679	53.0	20,975	47.0	44,654
YTD 2014										
Home Purchase	16	34.8	30	65.2	46	4,076	31.8	8,738	68.2	12,814
Refinance	14	41.2	20	58.8	34	3,886	35.2	7,152	64.8	11,038
Home Improvement	48	75.0	16	25.0	64	1,577	49.1	1,632	50.9	3,209
Total	78	54.2	66	45.8	144	9,539	35.2	17,522	64.8	27,061
Total Home Loan	226	57.2	169	42.8	395	33,218	46.3	38,497	53.7	71,715
Small Business Loans										
2013	91	58.3	65	41.7	156	8,545	40.1	12,785	59.9	21,330
YTD 2014	59	60.2	39	39.8	98	8,940	60.2	5,908	39.8	14,848
Total Small Business	150	59.1	104	40.9	254	17,485	48.3	18,693	51.7	36,178
Grand Total	376	57.9	273	42.1	649	50,703	47.0	57,190	53.0	107,893

Source: HMDA LARs and Small Business Loan Registers for 2013 and YTD 2014.

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

### ***Home Mortgage Loans***

Table 6 presents the Bank's home mortgage lending performance by number of loans in 2013 and the YTD 2014, as well as aggregate lending data for 2013. Table 6 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 6 – Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2013 Aggregate Lending Data	Bank 2013		Bank YTD 2014	
		(% of #)	#	%	#	%
Moderate	9.8	7.0	10	6.8		
Middle	37.4	36.0	79	53.4	42	46.5
Upper	52.8	57.0	59	39.8	36	53.5
Total	100.0	100.0	148	100.0	78	100.0

Source: 2013 HMDA Data, 2010 U.S. Census Data

In 2013, the Bank originated 10 loans to borrowers in moderate-income census tracts. This figure is slightly below the aggregate lending benchmark of 7.0 percent and below the percent of owner-occupied housing units in moderate-income tracts in the assessment area. In 2013, the Bank ranked 15<sup>th</sup> out of 115 lenders with a 2.2 percent market share in the moderate-income tracts. It is important to note many of the leaders in the moderate-income census tracts were large national banks and mortgage companies. The only community banks ranked above North Middlesex Savings Bank was Fidelity Co-operative Bank and Rollstone Bank & Trust, which have current asset sizes of \$594 million and \$578 million, respectively.

In 2014, the demographics of the assessment area changed, and the moderate-income census tracts shifted to middle- and upper-income census tracts.

### ***Small Business Loans***

As seen in Table 7, in 2013 the percentage of small business loans originated by the Bank made in moderate-income census tracts significantly exceeded the percentage of businesses within the moderate-income census tracts. As noted above the Bank did not have any low- and moderate-income census tracts within the assessment area in 2014.

Table 7 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses (2013)	Bank 2013		% of Total Businesses (2014)	Bank YTD 2014	
		#	%		#	%
Moderate	7.9	22	24.2			
Middle	34.8	41	45.1	31.2	28	47.5
Upper	57.3	28	30.7	68.8	31	52.5
Total	100.0	91	100.0	100.0	59	100.0

Source: Bank Records – Small Business Data (2013); D&B 2013 Business Data

## Borrower Characteristics

Overall, the distribution of loans by borrower income level reflects, given the demographics of the assessment area, an excellent penetration among individuals of different income levels (including low- and moderate-income individuals) and business of different sizes.

### *Home Mortgage Loans*

Table 8 shows the distribution of home loans by borrower income level in 2013 and 2014. Table 8 also includes the distribution of families by income level using 2010 U.S. Census data, as well as aggregate market data for 2013.

<b>Table 8 – Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Income Level</b>	<b>% of Total Families</b>	<b>2013 Aggregate Lending Data</b>	<b>Bank 2013</b>		<b>Bank YTD 2014</b>	
		<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	13.4	<b>5.9</b>	14	<b>9.5</b>	5	<b>6.4</b>
<b>Moderate</b>	15.6	<b>14.9</b>	33	<b>22.3</b>	18	<b>23.1</b>
<b>Middle</b>	22.3	24.1	36	24.3	19	24.4
<b>Upper</b>	48.7	45.1	59	39.9	30	38.5
<b>N/A</b>	0.0	10.0	6	4.0	6	7.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>148</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>

*Source: 2013 HMDA LAR; 2010 U.S. Census Data*

In 2013, the Bank's lending performance is compared with the aggregate lending trends in the Bank's assessment area. The Bank made 9.5 percent of its home mortgage loans to borrowers designated as low-income. This figure was above the aggregate benchmark of 5.9 percent. The institution ranked 9<sup>th</sup> out of 99 lenders who originated loans to low-income borrowers within its assessment area in 2013, with a 3.7 percent market share. It is important to note many of the institutions ranked above the Bank were large national banks and mortgage companies. The Bank's percentage of loans originated to low-income borrowers in the first three quarters of 2014 decreased slightly to 6.4 percent; however the percent of low-income families within the assessment area also decreased from 2013 to 2014.

The Bank originated 22.3 percent of its home mortgage loans to moderate-income borrowers in 2013. This figure significantly exceeds the aggregate benchmark of 14.9 percent. In 2013 the Bank ranked 7<sup>th</sup> out of 143 lenders in lending to moderate-income borrowers with a 3.4 percent market share. In the first three quarters of 2014 the Bank originated 23.1 percent of its home mortgage loans to moderate-income borrowers, a slight increase from 2013. These figures continue to exceed the percent of total moderate-income families in the assessment area according to 2010 U.S. Census Data.

### ***Small Business Loans***

Table 9 contains a summary of the Bank's small business loan activity within the assessment area, and breaks out the loans by GAR and compares the Bank's performance to the percentage of small and large businesses in the assessment area.

<b>Table 9 – Distribution of Small Business Loans by Revenues</b>						
<b>GAR \$(000s)</b>	<b>% of Total Businesses (2013)</b>	<b>Bank 2013</b>		<b>% of Total Businesses (2014)</b>	<b>Bank YTD 2014</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
≤ \$1,000	74.6	84	92.3	73.4	47	79.7
> \$1,000	4.7	7	7.7	5.3	12	20.3
Not Reported	20.7	0	0.0	21.3	0	0.0
<b>Total</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>

*Source: Bank Records – Small Business Data (2013&2014); D&B 2013 &2014 Business Data. \* Business revenue > \$1mm or N/A*

In 2013 and YTD 2014, the Bank made a majority of small business loans to businesses with revenues under \$1 million. In 2013 the Bank made 92.3 percent of small business loans to businesses with revenues under \$1 million. This exceeds the percentage of businesses with revenues under \$1 million in the assessment area. In YTD 2014 the Bank made 79.7 percent of small business loans to businesses with revenues under \$1 million. This is a decrease from 2013; however, still slightly above the percent of total business with revenues under \$1 million in the assessment area.

### **Response to CRA Complaints**

The Bank did not receive any CRA-related complaints during the evaluation period; however, maintains a Board approved written Complaint Policy to utilize in the event the Bank receives a complaint.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No violations of the substantive provisions of anti-discrimination laws and regulations, or other illegal credit practices, were identified.

### **COMMUNITY DEVELOPMENT TEST**

North Middlesex Savings Bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities in the institution's assessment area.

Opportunities to extend community development loans, investments, and services were determined through an analysis of demographic information. Additionally, discussions with a community contact stated that the area lacks affordable housing opportunities. Many of the

homes are rundown and are in need of improvement. Funding for these types of loans is lacking. The contact also stressed a need for small business financing in the area.

The following information summarizes the Bank's community development loan, investments, and service activities.

### **Qualified Community Development Loans**

For the purpose of this evaluation, a community development loan is defined as a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the bank's assessment area or a broader statewide or regional area that includes the bank's assessment area.

The Bank originated 10 community development loans totaling approximately \$2.6 million since the previous examination, dated September 6, 2011. The Bank increased the number of community development loans since the last evaluation, when the Bank originated eight loans. The current level of community development loans represents approximately 0.7 percent of total loans.

The following is a description of the community development loans originated during the evaluation period.

- In March 2009 the Bank granted a \$300,000 working line-of-credit to a non-profit organization located in the assessment area. The line was renewed in 2012, 2013, and 2014. This organization supplements music education for low- and moderate-income families. The organization also donates funds from its education programs to a local food pantry, which also primarily benefits low- and moderate-income individuals and families.
- In November 2011 the Bank granted a \$320,000 first mortgage loan to renovate a property on Main Street in downtown Ayer. The building consists of a commercial retail space on the first floor and six one-bedroom units (800 sq ft/unit) on the 2<sup>nd</sup> and 3<sup>rd</sup> floors. All of the residential units have below market rents and are targeted as affordable housing units for low- and moderate-income individuals. This loan was made in conjunction with a loan granted by the Town of Ayer, which required rent restrictions. The six units are rented for \$700 per month; well below the fair market rent of \$1,149.
- In June 2006 the Bank granted a \$50,000 line-of-credit to a local food pantry. The line-of-credit was renewed in 2012, 2013 and 2014. This non-profit food pantry serves six Massachusetts towns, including Ayer, Groton, Harvard, Littleton, and Shirley. The organization primarily serves low- and moderate-income individuals and families.
- In September 2014 the Bank refinanced a \$274,000 loan from another financial institution collateralized by an eight-unit building on East Main St. in downtown Ayer. The units consist of five one-bedroom, two three-bedroom and one four-bedroom apartments. All of the units benefit the affordable housing demand in the area, as the current rents (\$500-\$800) are below the standard market rents. The units are targeted to low- and moderate-income individuals and families.



- In August 2014 the Bank granted a \$515,000 loan to refinance an existing \$237,000 loan to finance the completion of sewer installations at a retirement park located in Pepperell. The retirement park is 55 and older community, and primarily consists of low- and moderate-income residents.
- In March 2014 the Bank granted a \$440,000 loan to purchase a seven-unit property with an adjacent 2,184 sq foot vacant commercial building, and an abutting vacant single-family dwelling in Pepperell. The multi-family property consists of three one-bedroom units, three two-bedroom units, and one three-bedroom unit. The current rents (\$600-\$700) are below the standard market rents. The units are targeted to low- and moderate-income individuals.

### **Qualified Community Development Investments**

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, membership share, or grant that has community development as its primary purpose. The evaluation considered (1) investment and grant activity, (2) the responsiveness to credit and community development needs, and (3) community development initiatives. The following describes the institution's qualified investments during this evaluation.

Total qualified investments and donations for this evaluation period totaled \$547,700.

### ***Qualified Equity Investments***

The Bank acquired a \$500,000 investment in 2014. The Bank's qualified equity investments represent approximately 0.1 percent of total assets. The following summarizes the Bank's qualified equity investments.

### ***Community Capital Management, Inc. Mutual Fund (CCM)***

In 2014, the Bank invested \$500,000 in a CRA mutual fund managed by CCM. CCM finds CRA-qualified opportunities that target low- and moderate-income individuals or families, low- and moderate-income communities, underserved or distressed areas, or areas targeted for economic development. From the Bank's investment, \$306,836 was earmarked for investments in affordable rental housing in a low-income geography in Middlesex County. The housing consists of 224 units, with 223 units receiving Section 8 housing assistance. The remainder of the \$500,000 investment was utilized for other community development projects, including affordable housing and economic development.

### ***Qualified Donations***

The Bank also made donations and grants to organizations providing education, youth programs, affordable housing, and health and human services. Since the last examination, the Bank donated \$116,683 to various organizations. Of those donations, \$47,700, or 40.9 percent, qualified as community development donations. Table 11 breaks down the Bank's qualified donations by year and purpose.

Table 11 - Community Development Donations								
Activity Year	Qualifying Category						Totals	
	Affordable Housing for LMI		Community Services Targeted to LMI		Activities that Promote Economic Development			
	#	\$	#	\$	#	\$	#	\$
2012	1	2,000	5	8,250	0	0	6	10,250
2013	2	1,250	7	16,500	1	2,500	10	20,250
2014	1	7,500	9	7,200	1	2,500	11	17,200
Total	4	10,750	21	31,950	2	5,000	27	47,700

Source: Bank Records.

The following are examples of qualifying organizations:

*Community Teamwork, Inc.:* Community Teamwork mobilizes resources for low-income people, providing opportunities for them to achieve stability and self-sufficiency. Community Teamwork provides affordable housing and aids low-income individuals in keeping heat and power. The organization also provides healthy and affordable meal planning, as well as small business development and financial literacy courses.

*Loaves and Fishes:* Loaves and Fishes is a food pantry in Devens, MA, which provides food and temporary support services to low- and moderate-income residents of Ayer, Devens, Groton, Harvard, Littleton, and Shirley.

*Ayer Shirley Education Foundation:* The Ayer Shirley Education Foundation provides funds for students of low-income families so they may attend Natures Classroom, which is an outdoor environmental education program. Additionally the foundation promotes education initiatives for low- and moderate-income children.

*North Central Massachusetts Development Corporation (NCMDC):* The NCMDC provides small business loans to businesses with revenues of less than \$1 million, including women and minority-owned businesses. Additionally the NCMDC offers comprehensive business training. The NCMDC serves all the towns in the Bank's assessment area.

*Snack Pack Program:* Page Hill Top Elementary School and the Laura White Elementary participate in a Snack Pack Program, which send home backpacks of food on Friday with roughly 64 needy children. In many cases this food is the only food that the child will have access to all weekend.

*LUK:* LUK provides service to support and improve youth and families. LUK works with DCF to place children in foster care, helps homeless teenagers find homes, and provides services to pregnant teenagers. The majority of the clients served are low- or moderate-income.

*The Hope Center Project:* The Hope Center Project provides counseling to lower income families for marital, grief and loss, drug and alcohol and forgiveness therapy. The organization also provides food and clothing for needy and adolescent development programs.

*Summer Back Pack Program:* The *Summer Back Pack Program* is run through the Bank's CRA Special Events Committee. The Bank sets aside CRA funds to purchase backpacks which are filled with schools supplies and donated to local grade school children. The children are low- or moderate-income. In 2013, the Bank donated 15 backpacks to every grade school in the assessment area.

### **Qualified Community Development Services**

A community development service has community development as its primary purpose and is related to the provision of financial services or technical services and assistance.

### ***Bank Employee and Director Involvement***

Bank officers and employees are involved in local community development and non-profit organizations in various capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, loan committee members, and volunteers. The following information summarizes the Bank's involvement.

**United Way of North Central Massachusetts-**This organization is an independent, non-profit corporation dedicated to improving lives and building stronger communities. The organization serves as a front-line response to meet basic needs of food, clothing, and shelter for low- and moderate-income individuals and families in crisis. The Bank's President and Chief Executive Officer (CEO) serves on the Board of Directors and is Chairman of the Development Committee, the Bank's former President and current Trustee serves on the Advisory Committee, and the Bank's Senior Vice President and Chief Lender is a Committee member.

**Mount Washusett Community College Foundation-**This organization provides need-based scholarships to low- and moderate-income individuals. The Bank's President and CEO serves on the Board of Directors and the Development Committee.

**Loaves & Fishes Food Pantry-** This non-profit food pantry serves six Massachusetts towns including, Ayer, Groton, Harvard, Littleton, and Shirley. In addition to food, the organization also provides seasonal clothing, and employment and housing counseling. A member of the Bank's Board of Trustees serves as a Trustee of this organization, the Bank's Senior Vice President and Chief Lender serves on the Finance Committee, and the Bank's Vice President of IT and Compliance serves on the Board and is also Vice President of this organization.

**North Central Massachusetts Economic Development Council-** The mission of this organization is to provide support for small businesses throughout the area through counseling and various forms of financing. A Bank Vice President continues to serve this organization as a director, and as a member of the Loan Committee.

**Devens Enterprise Commission and the Devens Disposition Executive Board-** This organization is located on the site of the former military base at Fort Devens. The Devens Enterprise Commission and Devens Disposition Executive Board is a regulatory and permit-granting authority for the Devens Development Project. It is empowered to act as a local planning board, with the primary goal of developing and revitalizing the Devens Enterprise Zone into an area conducive to an array of businesses, including small or start-up corporations. The Bank's former President and current Trustee continues to serve as the Chairman of this endeavor.

**Pepperell Aid to Community and Home-**This organization provides short-term assistance to Pepperell residents during difficult times. The organization is about neighbors helping neighbors by providing food, personal care items, referrals, and other needed resources to help their clients get back on their feet and achieve longer-term self-sufficiency. The majority of the clients served are low- or moderate-income. The Bank's Pepperell Branch Manager serves on the Board and is Treasurer, the Ayer Branch Manager serves on the Board and is the Secretary, and the Bank's Vice President of Commercial Lending and CRA Officer is a Committee Member.

**Habitat for Humanity North Central Massachusetts-** This organization is an independent affiliate of Habitat for Humanity International, serving 25 communities in the region. The organization's mission is to eliminate poverty housing and homelessness in Massachusetts. The clients served are low- or moderate-income. The Bank's Vice President of Retail Lending serves as a Committee Member offering expertise in planning, budgeting, and monitoring construction projects done by this organization.

**North Central Massachusetts Workforce Investment Board-** This organization was designed by the Governor of Massachusetts to serve as the local workforce investment board under the Federal Workplace Investment Act. Many of the participants in this program have been chronically unemployed and exhausted unemployment insurance benefits. This organization also conducts programs targeted to "at-risk-youth." The majority of the clients served are low- or moderate-income. The Bank's Executive Vice President and Treasurer serves as a Board member.

**Indian Hill Music School Music Partnership-**This organization has a program designed to supplement the music education for low- and moderate-income families. The Bank's Vice President serves as a Board member and is also a member of the Finance Committee and Human Resources Committee.

**Big Brothers Big Sisters-**The organization works to strengthen communities and reduce poverty by delivering vital services and collaborating with key stakeholders to create housing, education and economic opportunities for low- and moderate-income children. The Bank's Vice President and Controller serves on the Advisory Board.

**The Town of Pepperell Affordable Housing Committee-**The Town of Pepperell was tasked in 2013 to develop a plan to address affordable housing needs. The town needs to increase its affordable housing stock and the committee worked to develop a plan and identify sites where affordable housing can be developed. This plan was completed and the committee is now working on its implementation. The Bank's Vice President, Commercial Loan Officer, and CRA Officer has been a member of the committee since 2013.

## METROPOLITAN STATISTICAL AREA ANALYSES

As stated previously, a description of the Bank's CRA-related activities must also be provided for each MSA in which the Bank maintains a branch office. Ratings are not assigned based on individual performance in each MSA. In the sections that follow, there is a full scope analysis for the Boston-Cambridge-Quincy, MA-NH MSA and a limited review of the Worcester, MA MSA.

### DESCRIPTION OF THE INSTITUTION'S BOSTON-CAMBRIDGE, QUINCY,-MA-NH MSA #14460

The Bank included 17 census tracts from the Cambridge-Newton-Framingham, MA Metropolitan Division (MD), 15764, out of the 318 census tracts that make up the MD, which is part of the overall Boston-Cambridge-Quincy, MA-NH MSA. Six of the Bank's branches, including the Ayer headquarters, and the Groton Operations Center, are located in the Boston-Cambridge-Quincy, MA-NH MSA.

The overall assessment area has a population of 84,757, with 17,749 (40.3 percent) households considered low- or moderate-income. There are 22,177 family households, with 14.0 percent low-income and 16.7 percent moderate-income, with approximately 3.1 of the families living below the poverty level. Comparatively, Massachusetts has a poverty level of 11.4 percent. Refer to Table 12 for additional pertinent demographic information.

Table 12 – 2013 Middlesex Assessment Area Demographic Information					
Demographic Characteristics	#	Low	Moderate	Middle	Upper
		% of #	% of #	% of #	% of #
Geographies (Census Tracts)	17		11.8	35.3	52.9
Population by Geography	84,757		13.3	37.4	49.4
Owner-Occupied Housing by Geography	24,300		11.9	37.0	51.1
Businesses by Geography (2013)	7,292		9.7	35.2	55.1
Farms By Geography	251		11.6	32.7	55.8
Distribution of Families by Income Level	22,177	14.0	16.7	23.2	46.1
Distribution of Low and Moderate Income Families throughout AA Geographies	6,803	0.0	20.8	41.6	37.6
<b>Median Family Income (MFI)</b>		\$111,362	<b>Median Housing Value</b>	\$392,767	
<b>Families Below Poverty Level</b>		3.1%	<b>Unemployment Rate</b>	5.8%	

*Source: 2010 U.S. Census demographics, 2013 FFIEC updated MFI, 2013 Dun and Bradstreet business demographics, and 2013 Bureau of Labor Statistics for New Haven-Milford MSA*

### ***Geographies***

The assessment area has no low-income tracts, two moderate-income, six middle-income and nine upper-income tracts. The moderate-income census tracts are found in Townsend and Shirley. In 2014, there are 6 (35.3 percent) middle-income and 11 (64.7 percent) upper-income census tracts.

### ***Population***

As noted above, based on 2010 U.S. Census data, the total population of the assessment area is 84,757. Based on 2013 demographic reports, 13.3 percent reside in moderate-income tracts, 37.4 percent reside in middle-income census tracts, and 49.3 percent reside in upper-income tracts. Approximately 3.1 percent of the families in the assessment area are living below the poverty line. In 2014, 37.1 percent reside in middle income census tracts and 62.9 percent reside in upper-income tracts.

### ***Family Distribution***

Providing further insight into the demographic composition of the assessment area is the number of families at each income level. According to the 2010 U.S. Census data, of the 22,177 families in the assessment area, 14.0 percent were low-income, 16.7 percent were moderate-income, 23.2 percent were middle-income, and 46.1 percent were upper income.

Based on the 2014 demographic data, the number of low-income families decreased to 12.6 percent, moderate-income families decreased to 14.8 percent, middle-income families decreased to 22.0 percent, and upper-income families increased to 50.6 percent. The percent of assessment area families below the poverty line did not change.

### ***Housing***

Housing units within the assessment area total 30,848, of which 24,300 (78.8 percent) are owner-occupied, 4,945 (16.0 percent) are rental-occupied, and 1,603 (5.2 percent) are vacant. Of the owner-occupied units within the assessment area, using 2013 data, 11.9 percent are in moderate-income census tracts, 37.0 percent are in middle-income tracts and 51.1 percent are in upper-income tracts. With the 2014 revisions, 34.3 percent of owner-occupied housing units are in middle-income tracts, and 65.7 percent are in upper-income tracts.

### ***Business Data***

Between 2013 and 2014, the total number of non-farm businesses declined by 11.1 percent. The percentage of non-farm businesses reporting GARs of \$1 million or less decreased by 12.7 percent.

### ***Competition***

In addition to the demographic composition and economic environment of the assessment area, competition from other financial institutions also impacts the Bank's lending performance. During 2013, 272 HMDA-reporting institutions made or purchased 5,503 HMDA loans totaling \$1.5 billion in the assessment area. Based on its 2013 activity, North Middlesex Bank ranked 12<sup>th</sup> and 18<sup>th</sup>, respectively, by number of loans and dollar volume. The top five lenders included JPMorgan Chase Bank, N.A.; Wells Fargo Bank, N.A.; CitiMortgage Bank, Inc.; Digital Federal Credit Union; and Mortgage Master. Collectively, these top lenders accounted for 27.0 percent by count and 26.7 percent by dollar volume.

## **SCOPE OF EXAMINATION**

The scope of the evaluation is similar to the overall scope discussed previously; however, assessment area concentration (lending inside and outside of the Bank's delineated assessment area) is not evaluated, as it is only evaluated for the combined assessment area as a whole.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BOSTON-CAMBRIDGE-QUINCY, MA-NH MSA #14460

### LENDING TEST

The percentage of lending inside versus outside of the assessment area is only evaluated on an entire assessment area basis. However, Table 13 presents the dispersion of the Bank's loans within the Boston-Cambridge-Quincy, MA-NH MSA and the Worcester, MA MSA.

<b>Table 13 – Lending in the Boston-Cambridge-Quincy, MA-NH MSA Compared to the Worcester, MA MSA</b>					
	<b>Boston-Cambridge-Quincy, MA-NH MSA</b>		<b>Worcester, MA MSA</b>		<b>TOTAL</b>
<b>Loan Category or Type</b>	<b># of loans</b>	<b>%</b>	<b># of loans</b>	<b>%</b>	<b># of loans</b>
Home Mortgage 2013	119	64.3	29	70.7	148
Home Mortgage YTD 2014	66	35.7	12	29.3	78
<b>Subtotal</b>	<b>185</b>	<b>81.9</b>	<b>41</b>	<b>18.1</b>	<b>226</b>
Small Business 2013	79	59.8	12	66.7	91
Small Business YTD 2014	53	40.2	6	33.3	59
<b>Subtotal</b>	<b>132</b>	<b>88.0</b>	<b>18</b>	<b>12.0</b>	<b>150</b>
<b>Total</b>	<b>317</b>	<b>84.3</b>	<b>59</b>	<b>15.7</b>	<b>376</b>

*Source: 2013 and 2014 HMDA LAR and Small Business data.*

As reflected in Table 13, the majority of the Bank's home mortgage lending (81.9 percent) is in the Boston-Cambridge-Quincy, MA-NH MSA, which represents 17 of the 20 census tracts in the assessment area. The majority of small business lending (88.0 percent) was also in the Boston-Cambridge-Quincy, MA-NH MSA. According to 2013 peer mortgage data, the Bank ranked 15<sup>th</sup> out of 115 lenders in the moderate-income census tracts within the assessment area in the Boston-Cambridge-Quincy, MA-NH MSA. North Middlesex Savings Bank was the 3<sup>rd</sup> highest ranked community bank. The Worcester, MA MSA does not have any low-income or moderate-income tracts within the assessment area.

### Geographic Distribution

The Bank exhibited reasonable distribution of loans within the Boston-Cambridge-Quincy MA-NH MSA portion of the assessment area.

### Home Mortgage Loans

The geographic distribution of loans reflects reasonable dispersion throughout the MSA. Table 14 presents the Bank's home mortgage lending performance by number of loans in 2013 and the first three quarters of 2014, as well as aggregate lending data for 2013. Table 14 also includes the percentage of owner-occupied housing units for each census tract income level for comparison purposes.

Table 14 – Boston-Cambridge-Quincy, MA-NH MSA Distribution of Home Mortgage Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Owner-Occupied Housing Units 2010 Census	2013 Aggregate Lending Data	Bank 2013		Bank YTD 2014	
		(% of #)	#	%	#	%
Moderate	11.9	8.2	10	8.4		
Middle	37.0	36.6	68	57.1	36	54.5
Upper	51.1	55.2	41	34.5	30	45.5
Total	100.0	100.0	119	100.0	66	100

Source: 2013 and 2014 HMDA Data, 2010 U.S. Census Data

In 2013, the Bank originated 10 loans, or 8.4 percent of home mortgage loans to borrowers in moderate-income census tracts in the MSA. This figure is slightly above the aggregate lending benchmark of 8.2 percent and below the percent of owner-occupied housing units in moderate-income tracts in the assessment area. As noted above, the Bank ranked 15<sup>th</sup> out of 115 lenders in the Boston- Cambridge-Quincy, MA-NH MSA in its assessment area, with a 2.2 percent market share, for lending in moderate-income tracts. After the 2014 demographic changes, the Bank no longer had any low- or moderate-income census tracts within its assessment area.

### Small Business Loans

As seen in Table 15, the Bank originated 22 small business loans, or 27.8 percent, in the assessment area's moderate-income census tracts in the Boston-Cambridge-Quincy, MA-NH MSA. This significantly exceeded the percentage of businesses within the moderate-income census tracts. As noted above the Bank did not have any low- or moderate- income census tracts within the assessment area in 2014.

Table 15 – Boston-Cambridge-Quincy, MA-NH MSA Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	% of Total Businesses (2013)	Bank 2013		% of Total Businesses (2014)	Bank YTD 2014	
		#	%		#	%
Moderate	9.7	22	27.8			
Middle	35.2	41	51.9	30.7	26	49.1
Upper	55.1	16	20.3	69.3	27	50.9
Total	100.0	79	100.0	100.0	53	100.0

Source: Bank Records – Small Business Data (2013); D&B 2013 Business Data

### Borrower Characteristics

The distribution of loans by borrower income level reflects, given the demographics of the MSA, an excellent penetration among individuals of different income levels (including low- and moderate-income individuals).



### ***Home Mortgage Loans***

Table 16 shows the Bank's loans by borrower income level in 2013 and YTD 2014. Table 16 also includes the distribution of families by income level using 2010 U.S. Census data, as well as aggregate market data for 2013.

<b>Table 16 – Boston-Cambridge-Quincy, MA-NH MSA Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Income Level</b>	<b>% of Total Families - 2010 Census</b>	<b>2013 Aggregate Lending Data</b>	<b>Bank 2013</b>		<b>Bank YTD 2014</b>	
		<b>(% of #)</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	14.0	6.5	14	11.8	3	4.5
<b>Moderate</b>	16.7	15.4	28	23.5	16	24.2
<b>Middle</b>	23.2	24.9	30	25.2	16	24.2
<b>Upper</b>	46.1	42.9	41	34.5	25	37.9
<b>N/A</b>	0.0	10.3	6	5.0	6	9.2
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>66</b>	<b>100.0</b>

*Source: 2013 and 2014 HMDA LAR; 2010 U.S. Census Data; 2013 Aggregate Lending Data*

In 2013, the Bank made 11.8 percent of its home mortgage loans to borrowers designated as low-income. This figure is above the 2013 aggregate lending benchmark of 6.5 percent. The Bank ranked 9<sup>th</sup> out of 95 lenders in lending to low-income borrowers with a 3.9 percent market share. The Bank originated 23.5 percent of its home mortgage loans to moderate-income borrowers in 2013. This figure significantly exceeds the aggregate lending benchmark of 15.4 percent and the percentage of moderate-income families in the assessment area. The Bank ranked 7<sup>th</sup> out of 138 lenders in lending to moderate-income borrowers with a 3.3 percent market share.

In 2014 the Bank originated 4.5 percent of its home mortgage loans to low-income borrowers and 24.2 percent to moderate-income borrowers. Lending to low-income borrowers decreased from 2013; however the percentage of low-income families decreased by 10.0 percent from 2013 to 2014. The percentage of lending to moderate-income individuals increased in 2014.

### ***Small Business Loans***

Table 17 contains a summary of the Bank's small business loan activity within the MSA portion of the assessment area, and breaks out the loans by GAR and compares the Bank's performance to the percentage of small and large businesses in the area.

<b>Table 17 – Boston-Cambridge-Quincy, MA-NH MSA Distribution of Small Business Loans by Revenues</b>						
<b>GAR \$(000s)</b>	<b>% of Total Businesses (2013)</b>	<b>Bank 2013</b>		<b>% of Total Businesses (2014)</b>	<b>Bank YTD 2014</b>	
		<b>#</b>	<b>%</b>		<b>#</b>	<b>%</b>
≤ \$1,000	74.6	72	91.1	73.3	42	79.2
> \$1,000	4.9	7	8.9	5.6	11	20.8
Not Reported	20.5	0	0.0	21.1	0	0.0
<b>Total</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>

Source: Bank Records – Small Business Data (2013); D&B 2013 Business Data. \* Business revenue > \$1mm or N/A

In 2013 and the first three quarters of 2014, the Bank made a majority of small business loans to businesses with revenues under \$1 million within the Boston-Cambridge-Quincy, MA-NH MSA. In 2013 the bank made 91.1 percent of small business loans to businesses with revenues under \$1 million. This significantly exceeds the percentage of businesses with revenues under \$1 million in the assessment area. In the first three quarters of 2014 the Bank made 79.2 percent of small business loans to businesses with revenues under \$1 million. This is a decrease from 2013; however, still exceeds the percent of total business with revenues under \$1 million in the assessment area in the Boston-Cambridge-Quincy, MA-NH MSA.

## **COMMUNITY DEVELOPMENT TEST**

The Bank demonstrated adequate responsiveness through community development loans, qualified investments, and community development services.

### **Qualified Community Development Loans**

As previously mentioned the Bank has 10 community development loans, totaling \$2.6 million. Six of these loans, totaling approximately \$1.1 million benefit the entire assessment area and four loans totaling \$1.5 million benefit the Boston-Cambridge-Quincy, MA-NH MSA. Please refer to the overall community development loan section for additional information.

### **Qualified Community Development Investments**

The Bank had qualified equity investments and donations that benefitted the MSA.

#### ***Qualified Equity Investments***

The Bank's equity investment benefitted a portion of Middlesex County and has the potential of benefitting the entire assessment area, or broader State-wide or regional area. Please refer to the overall qualified equity investment section for additional information.

#### ***Qualified Donations***

The Bank made qualified donations and grants to organizations providing education, youth programs, affordable housing, and health and human services. All of the Bank's qualified donations

benefitted the Boston-Cambridge-Quincy, MA-NH MSA. Please refer to the overall discussion of qualified donations for additional information.

### **Qualified Community Development Services**

As previously mentioned, Bank employees, members of senior management and Directors provided their financial expertise to 11 different community development organizations. Eight of these organizations serve the entire assessment area and three serve the Boston-Cambridge-Quincy, MA-NH MSA only. Please refer to the overall community development service discussion for additional information.

## **DESCRIPTION OF THE INSTITUTION’S WORCESTER, MA MSA #49340**

The Bank included three of the 172 census tracts in the Worcester, MA MSA, 49340, in the assessment area. One of the Bank’s branches, Lunenburg, is located within the Worcester, MA MSA.

The population of the Worcester, MA MSA portion of the assessment area is 16,606, with 1,292 (23.1 percent) households considered low- or moderate-income. There are 4,368 households that are families. Of those families, 438 (10.0 percent) are low-income and 453 (10.4 percent) are moderate-income, with approximately 129 (3.0 percent) of the families living below the poverty level. Comparatively, Massachusetts has a poverty level of 11.4 percent. Refer to Table 18 for additional pertinent demographic information.

<b>Table 18 – 2013 Assessment Area Demographic Information</b>					
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low</b>	<b>Moderate</b>	<b>Middle</b>	<b>Upper</b>
		<b>% of #</b>	<b>% of #</b>	<b>% of #</b>	<b>% of #</b>
Geographies (Census Tracts)	3			33.3	66.7
Population by Geography	16,606			35.9	64.1
Owner-Occupied Housing by Geography	5,163			39.2	60.8
Businesses by Geography (2013)	1,598			32.7	67.3
Farms By Geography	69			33.3	66.7
Distribution of Families by Income Level	4,368	10.0	10.4	17.9	61.7
Distribution of Low and Moderate Income Families throughout AA Geographies	891			55.4	44.6
<b>Median Family Income (MFI)</b>		\$114,738	<b>Median Housing Value</b>		\$433,052
<b>Families Below Poverty Level</b>		3.0%	<b>Unemployment Rate</b>		6.2%

*Source: 2010 U.S. Census demographics, 2013 Dun and Bradstreet business demographics,*

### ***Geographies***

The assessment area contains 1 (33.3 percent) middle-income and 2 (66.7 percent) upper-income census tracts. The census tract income levels did not change in 2014.

### ***Population***

As noted above, based on 2010 U.S. Census data, the total population of the assessment area is 16,606. Based on 2013 demographic reports, 35.9 percent reside in middle-income census tracts and 64.1 percent reside in upper-income tracts. Approximately 3.0 percent of the families in the assessment area are living below the poverty line. The population demographics of the assessment area did not change in 2014.

### ***Family Distribution***

Providing further insight into the demographic composition of the assessment area is the number of families at each income level. According to the 2010 U.S. Census data, of the 4,368 families in the assessment area, 10.0 percent were low-income, 10.4 percent were moderate-income, 17.9 percent were middle-income, and 61.7 percent upper-income.

Based on the 2014 demographic data, the number of low-income families decreased to 9.8 percent, moderate-income families decreased to 9.7 percent, middle-income families decreased to 17.5 percent, and upper-income families increased to 63.0 percent.

### ***Housing***

Housing units within the assessment area total 6,084, of which 5,163 (84.9 percent) are owner-occupied, 422 (6.9 percent) are rental-occupied, and 499 (8.2 percent) are vacant. Of the owner-occupied units within the assessment area, using 2013 data, 39.2 percent are in middle-income tracts and 60.8 percent are in upper-income tracts. The 2014 demographic changes did not affect the housing geographic distribution.

### ***Business Data***

Between 2013 and 2014, the total number of non-farm businesses declined by 13.7 percent; however, the percentage of non-farm businesses reporting GARs of \$1 million or less increased by 21.9 percent.

### ***Competition***

In addition to the demographic composition and economic environment of the assessment area, competition from other financial institutions also impacts the Bank's lending performance. During 2013, 159 HMDA-reporting institutions made or purchased 942 HMDA loans totaling \$243.5 million in the assessment area. Based on its 2013 activity, North Middlesex Bank ranked 10<sup>th</sup> and 13<sup>th</sup>, respectively, by number and dollar volume. The top five lenders included JPMorgan Chase Bank, N.A.; Wells Fargo Bank, N.A.; Workers Credit Union; IC Federal Credit Union; and CitiBank, N.A. Collectively, these top lenders accounted for 30.8 percent by number of loans and 27.5 percent by dollar volume.

## **SCOPE OF EXAMINATION**

Given the limited amount of census tracts in the MSA portion of the Bank's assessment area and the limited number of loans in the Worcester, MA MSA, a limited scope review was utilized.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE WORCESTER, MA MSA #49340**

### **LENDING TEST**

As noted in Table 13, the Bank originated 41 home mortgage loans and 18 small business loans within the Worcester MSA. These totals represent 18 percent and 12 percent of the Bank's total assessment area lending. There are no low- or moderate-income tracts in this portion of the assessment area. The Bank made no loans to low-income borrowers and only five loans to moderate-income borrowers. Given the limited presence in the MSA, coupled with competition, the Bank's lending performance is reasonable.

## **COMMUNITY DEVELOPMENT TEST**

Given the limited presence in the Worcester MSA, the level of community development loans, qualified investments, and services made in the area, or benefiting the area, is adequate.

### **Qualified Community Development Loans**

As previously mentioned, six of the Bank's 10 community development loans benefitted the entire assessment area. None of the community development loans were originated in, or directly benefitted, the Worcester MSA. Please refer to the overall discussion of community development loans for additional information.

### **Qualified Community Development Investments**

The Bank had qualified equity investments and donations that benefitted the MSA.

#### ***Qualified Equity Investments***

The Bank's equity investment benefitted a portion of Middlesex County and has the potential of benefitting the entire assessment area, or broader State-wide or regional area. Please refer to the overall qualified equity investment section for additional information.

#### ***Qualified Donations***

The Bank made no qualified donations or grants directly to organizations within the Worcester MSA; however, approximately \$37,900 of the Bank's total qualified donations were made to organizations that benefit the Worcester MSA. Please refer to the overall discussion of qualified donations for additional information.

### **Qualified Community Development Services**

As previously mentioned, Bank employees, members of senior management and Directors provided their financial expertise to 11 different community development organizations. Eight of these organizations serve the entire assessment area. None of the services occurred in organizations directly in the Worcester MSA. Please refer to the overall community development service discussion for additional information.

## APPENDIX A

### MINORITY APPLICATION FLOW

The Bank's level of lending was compared with that of the 2013 aggregate's lending performance levels, the most recent year for which data was available. The comparison of this data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 101,363 individuals of which 11.3 percent are minorities. The assessment area's minority and ethnic population is 1.6 percent Black/African American, 5.3 percent Asian/Pacific Islander, 0.1 percent American Indian, 2.6 percent Hispanic or Latino and 1.7 percent other.

For 2013 and YTD 2014, the Bank received 316 HMDA reportable loan applications from within its assessment area. Of these applications, nine or 2.9 percent were received from minority applicants. For the same time period, the Bank also received eight applications or 2.5 percent from ethnic groups of Hispanic origin within its assessment area.

Refer to the table below for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

<b>Table A1 MINORITY APPLICATION FLOW</b>					
<b>RACE</b>	<b>Bank 2013</b>		<b>2013 Aggregate Data</b>	<b>Bank YTD 2014</b>	
	<b>#</b>	<b>%</b>	<b>%</b>	<b>#</b>	<b>%</b>
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	2	0.9	7.8	0	0.0
Black/ African American	2	0.9	0.5	0	0.
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	2	0.9	1.1	3	2.9
<b>Total Minority</b>	<b>6</b>	<b>2.7</b>	<b>9.7</b>	<b>3</b>	<b>2.9</b>
White	183	86.4	69.0	90	86.5
Race Not Available	23	10.9	21.3	11	10.6
<b>Total</b>	<b>212</b>	<b>100.0</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	1	0.5	0.7	0	0.0
Not Hispanic or Latino	181	85.4	76.9	89	85.6
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.9	0.9	3	2.9
Ethnicity Not Available	26	12.2	21.5	12	11.5
<b>Total</b>	<b>212</b>	<b>100.0</b>	<b>100.0</b>	<b>104</b>	<b>100.0</b>

*Source: 2013 and YTD 2014 HMDA LAR, 2103 HMDA Aggregate Data, 2010 U.S. Census Data*

The Bank's performance was significantly below the 2013 aggregate's performance level for minority applicants. The Bank received 2.7 percent of its total applications from minorities while the aggregate was 9.7 percent. The Bank's 2013 performance for ethnic minorities was 2.4 percent compared to the 2013 aggregate's performance of 1.6 percent. There is an opportunity for the Bank to increase its minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics.

## GLOSSARY

**Aggregate lending:** The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Area Median Income:** The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

**Assessment Area:** A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Combined Statistical Area (CSA):** A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

**Community Development:** For loans, investments, and services to qualify as community development activities, their primary purpose must

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**Community Development Corporation (CDC):** A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

**Community Development Financial Institutions (CDFIs):** CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional



financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

**Community development loan:** A loan that

- (1) has as its primary purpose community development; and
- (2) except in the case of a wholesale or limited purpose bank:
  - (i) has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
  - (ii) benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

**Community development service:** A service that

- (1) has as its primary purpose community development;
- (2) is related to the provision of financial services; and
- (3) has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

**Consumer loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

**Core Based Statistical Areas (CBSAs):** The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

**Distressed middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,
- (3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**FFIEC-Adjusted Income Data:** The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (approved, denied, and withdrawn).

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**Housing Unit:** Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (geographic loan distribution, borrower profile loan distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income:** Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

**Low Income Housing Tax Credit:** The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

**Median Income:** The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

**Metropolitan Division (MD):** A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area (MSA):** CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

**Multi-family:** Refers to a residential structure that contains five or more units.

**Non-metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and non-metropolitan areas.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rated area:** A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

**Rural Area:** Territories, populations, and housing units that are not classified as urban.

**Small Business Investment Company (SBIC):** SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SCIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

**Small Business Loan:** A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

**Small Farm Loan:** A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for:

- population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

**Urban Area:** All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin). "Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks at 7 Main Street, Ayer, Massachusetts 01432."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that assessment shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.